


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

May 8, 2013

MEMORANDUM

To: Mrs. Renay C. Johnson, Principal
Montgomery Blair High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2011, through February 28, 2013

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students as well as to finance the recognized extracurricular activities of the student body. Principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that IAFs are administered in accordance with MCPS policies, regulations, and procedures.

IAF audits are conducted regularly to evaluate compliance with MCPS policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of IAF records and financial accounts selected from documentation of various activities to verify their accuracy as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that there is compliance with MCPS policies, regulations, and procedures, and that any significant errors or omissions in the financial records are detected.

In our meeting on April 22, 2013 with you, Mr. James Funk, business administrator, and Ms. Donna Franklin, financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 8, 2012, and the status of present conditions. Although some of the prior findings have been resolved, others still need attention. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). The purpose of each

disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts, and to ensure that expenditures comply with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found prior approval was not always obtained when required. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. Also, we found that the school continued to reimburse large sums to a parent for the purchase of equipment for the Robotics club, rather than to use proper procurement procedures. We noted that some expenditures were made from cash that had not been deposited into the school's IAF account, and receipts were not retained to document items purchased with these funds. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff for your signature at the time verbal approval is sought to expend IAF funds, and that complete documentation be attached to fully explain the reason for the purchase as well as staff certification that items have been received satisfactorily. Expenditures from a school's IAF, except those made from a school's petty cash fund, must be made by check drawn on the school's IAF bank account. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses approved by you at the beginning of the school year. These budgets should be monitored by your financial specialist and revised, if necessary.

The expenditure of general funds to provide refreshments for staff meetings and staff appreciation was \$45 per staff FTE per fiscal year through June 30, 2012. We found that you exceeded this allowed amount for FY 2012, and that you are close to your limit for FY 2013. It should be noted that the April 16, 2012, memorandum from the Chief Operating Officer (COO) increased the expenditure guideline from \$45 to \$60 per FTE effective FY 2013. We recommend you adhere to the guidelines issued by the COO.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist along with a remittance advice. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance advice should be issued promptly. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual (see MCPS Financial Manual, p. 7-4).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We again found that there was a lack of adherence to these guidelines. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the fundraising series and a completion report prepared that analyzes the results. Completion reports need to include the total number of items for sale, selling prices, and any remaining inventories in order to determine whether or not all sums collected were remitted to the financial specialist. Following internal control procedures

provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event (see MCPS Financial Manual, p. 20-11).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, and the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). We again found that the records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and community superintendent, when required), should be retained. The financial specialist should establish a separate account in the IAF for each trip. Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip and students who received waivers, scholarships or reduced fees. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report (see MCPS Financial Manual, p. 20-9). We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report. The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account.

Summary of Recommendations

- Disbursements from a school's IAF will be approved using MCPS Form 280-54 prior to expenditure of funds (repeat);
- Adequate documentation must be provided to support disbursements;
- Receipt of goods or services must be confirmed prior to disbursement;
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO;
- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat);
- Fundraiser documentation must include both approval form and completion report (repeat);

- Yearbook records must be adequate to enable reconciliation of books purchased to number sold, given away, and remaining in inventory (repeat); and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Ms. Bronda L. Mills, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Ms. Mills
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

IAF Audit Response

Audit Period 12/1/11 -02/28/13

Findings and Recommendations	Description of Resolution	Person(s) Responsible	Timeline	Evidence of Completion
Improved controls on disbursements including written preapproval process and adequate support documentation.	Communicate and retrain all employees as part of 2014 pre-service. Document training and hold staff accountable for following the required process.	Business Admin. Financial Specialist	August 2013	Training and account records
	Non-compliant staff reported to Principal for follow-up and possible revocation of privileges.	Principal	On going	Controls in place
Improved controls of staff appreciation and refreshment account.	Re-train employees to correctly classify their expenses and obtain Principal Johnson's approval prior to purchase. Total expenditure to remain within approved limits.	Business Admin. Financial Specialist Principal	On going	Account Records
Improve cash control procedures. Funds must be remitted promptly by sponsors.	Communicate and retrain all employees as part of 2014 pre-service. Document training and hold staff accountable for following the required process.	Business Admin. Financial Specialist	August 2013	Training and account records
	Non-compliant staff reported to Principal for follow-up and possible revocation of privileges. Accounts frozen.	Principal	On going	Controls in place
Enhanced controls and accountability for fund raisers.	Revise and enhance workflow to improve approval and completion process.	Business Admin. Financial Specialist	Summer 2013	Controls in place
	Communicate and re-train staff as part of 2014 pre-service.	Business Admin. Financial Specialist	August 2013	Training Records
Improve Yearbook Controls	Continue to improve team communication. Regular meetings with BA, Sponsor and Vendor Rep.	Business Admin. Sponsor Vendor Rep.	On going	Account Records
	Just closed out records for the year. Records accurate and complete. Profitable for the first time in 3 years.		June 2013	
Enhanced controls and accountability for field trips.	Master log sheet and process enhancements added to workflow. Clarify the closeout process and add to the checklist.	Business Admin. Financial Specialist	Summer 2013	Controls in place
	Communicate and re-train staff as part of 2014 pre-service.	Business Admin. Financial Specialist	August 2013	Training Records

- Blair is a Professional Development School with a MCPS approved partnership with the University of Maryland College Park. We have over 60 University Interns assigned to us yearly. These interns are the second adult in the classroom and by second semester, they are the teacher for the students. These interns receive all of the benefits that the staff does, as a result, they increase the cost of the refreshments for staff considerably.
- We have ONE financial assistant for 2800 students and 290 staff. Please note that this is a considerable large workload for one person and it is unreasonable to believe that she can do the job in 8 hours each day. Please provide a model of how ONE person can do this position in the largest high school in the county
- There is a tremendous debt (\$20, 000+), from a former principal that the school is still paying. Please note the year that the debt was established.